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Weekly Contributions
Latin America Branch, ORE, CIA
27 September 1949

CURRENT DEVELOPMENTS

GENERAL: Latin American responses to the A-bomb announcement are expected to have no adverse effects on any important US interests in the area (p. 2).

CENTRAL DIVISION: Colombia's government, by authorizing more than one labor federation, has advanced its campaign against the Communist-led Colombian Workers' Confederation (p. 2).

SOUTHERN DIVISION: In Uruguay, meetings of the 15th Congress of the Communist Party are not expected to have significant effects (p. 2). In Argentina, present political conditions indicate that US oil companies can expect no relief from government restrictions (p. 2).

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1. GENERAL: Latin American Responses to A-bomb Announcement
Early and still incomplete reports of non-Communist reactions in Latin America to President Truman's announcement of the Russian atomic explosion provide no evidence of changes in attitude that would have any adverse effect on important US security or policy interests in the area, nor is it expected that there will be any considerable effect.
There was no reported instance of prompt Communist press response, undoubtedly because instructions on how to exploit the incident as Party propaganda had not been received.
2. COLOMBIA: The government's campaign against the Communist-led Colombian Workers' Confederation (CTC) has now been
further advanced by a decree authorizing official recognition of more than one labor federation in Colombia. Without waiting for a decision on its suit to dissolve the CTC (B/LA Wkly, 13 Sep 49), the administration is expected shortly to recognize the Church-and-Conservative-sponsored Colombian Workers' Union (UTC), a growing rival federation. The administration's willingness thus to antagonize the CTC clearly indicates a new feeling of strength in the Conservative Party since, in the past, no serious consideration was given repeated UTC requests for recognition because the Liberals, whose cooperation was needed during the period of national union government, opposed that organization. Granting legal recognition to the UTC would improve the Conservative Party's prospects for political success by enabling it more effectively to refute charges of being opposed to organized labor.
3. URUGUAY: The 15th Congress of the Uruguayan Communist Party, already postponed twice this year, is now scheduled for 30
September, at which time a report providing for substantial improvements in Party organization is to be discussed. No significant effects on US security interests are expected to result from the meetings.
4. ARGENTINA: Difficulties of US Oil Companies in Argentina Increased
Difficulties of US oil companies in Argentina have increased to the point that the companies believe government policy toward them to be "confiscation by attrition".

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The State Oil Fields Administration (YPF) has avoided defining a concrete policy with respect to the future of foreign oil companies — it continues, however, to cripple the operations of the US companies. The latter have been denied quotas for direct importation of crude under the UK-Argentine agreement, and have been denied dollar exchange for essential imports from the US. As the situation now stands, the only way US refiners can obtain their crude requirements is to purchase it from YPF at 22 to 37 percent markup with no assurance that the sales prices of manufactured petroleum products can be increased accordingly. Furthermore, a deaf ear has been turned toward requests of the US companies for dollar exchange to import necessary blending oils, equipment, and maintenance materials from the US. While Argentina's shortage of dollars limits possible allocations, the government has recently increased dollar allocations to YPF and has provided none for the US companies. (At present there is no indication of the British Shell Company's modus vivendi with YPF, but its position is more advantageous because of British leverage.) There has been no change in the government's stand against granting additional drilling concessions to private producers, and, consequently, their production continues to decline. Because the two principal US oil companies operating in Argentina are engaged mainly in refining and distributing (one of them produces a small part of its crude requirements locally), they are vitally dependent on YPF allocations. The US companies believe that the government is following this course in order to allow YPF to improve its position at the expense of the private refining and marketing organizations, and that continued repressive measures eventually will compel them to withdraw from Argentina. The government has carefully avoided direct reference to application of the nationalization program to the petroleum industry — quite possibly it has been decided to delay this step because of concern regarding the development of fuel resources. Opposition parties, however, are calling attention to this part of the nationalization program, and are putting it to political use against the Peronistas. The opposition has charged the administration with "obedience to North American representatives" and has claimed that importation of petroleum by foreign companies, as provided by the UK-Argentine agreement, is against the basic principle that YPF should import all petroleum products; that it is also against the spirit of Article 40 of the Constitution; and that the only solution is nationalization and monopoly.

The government's fear of the political effectiveness of these arguments may very well result in further deterioration of the position of the US oil companies in Argentina. The withdrawal of these companies would be adverse to US interests as it would lessen further the already dim prospects for efficient development of additional petroleum reserves in Argentina.

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The Current Situation in Haiti

(Summary -- The political situation in Haiti is calm. A rise in the value of exports has balanced Haiti's foreign trade, but the fiscal condition of the government remains adverse. The armed forces are loyal to the government. Communism plays a minor role. Friction with the Dominican Republic persists, but Haiti is studiously avoiding complicity in anti-Trujillo plotting.

US security interests are not notably affected by current developments.)

Political

The situation in Haiti now is calm. The Estimé regime, however, is faced with the problem of whether or not to lift the state of siege in effect since the three-day "general walkout" of last March (B/LA Wkly, 8 Mar 49). If full civil liberties are restored, opposition elements will be free to expose the administration's shortcomings in the campaign preceding the January 1950 elections. If the state of siege is not terminated, the government fears US tourists will not visit the International Exposition, scheduled to open this December. B/LA estimates that the government, because of its stake in the success of the Exposition, will lift the state of siege in the belief that the army can control the outcome of the elections.

The President is anxious that members of the Chamber of Deputies scheduled for election in January be as tractable as the present ones, since he plans to seek legislative approval of several constitutional amendments, one of which will permit the President to succeed himself. Although it is reasonably certain that the army can manipulate the elections in the administration's favor, a falling out between Estimé and the powerful Commander of the Military Department of the Palace, Colonel Magloire, could upset these calculations. This is regarded as unlikely, however, because Estimé is fully aware of Magloire's power and probably will avoid antagonizing him.

Economic

The trend during 1948 toward an increasingly unfavorable trade balance has been halted. For the first six months of the current fiscal year, imports and exports were balanced at \$16.5 million each, whereas

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During the corresponding 1947-48 fiscal period imports were \$16.6 and exports only \$14.8 million. Although sugar production was 4 percent greater in 1948, exports were 11 percent lower because of higher local sugar consumption. Exports of sisal and coffee increased in value by 39 percent and 40 percent respectively in comparison with the first six months of the preceding fiscal year. (The Haitian economic outlook depends on the world market price of these two commodities.) Although sisal operations will probably be moderately curtailed because prices and demand are drifting lower, the disposition of the bumper 1949 coffee crop at favorable prices seems assured.

The fiscal position of the government, however, continues to be adverse (B/IA Wkly, 12 Apr 49). The Treasury deficit as of 31 July was \$1,120,000 and is increasing by \$200,000 a month. The government, which has exhausted other sources of revenue, is now seeking to persuade foreign-owned concerns to buy the unsold portion (\$3 million) of the 1957 bond issue so that it can continue construction of the Exposition.

The uncontrolled spread of leaf-and-root diseases has reduced banana production more than 60 percent below the 1946 level when it was Haiti's second export crop. Since it is unlikely that the government will take vigorous steps to eradicate these diseases, the banana industry can be expected to cease to be an economic factor by 1951.

Military

The Haitian armed services are loyal to the government and are capable of maintaining law and order in the capital and larger towns. The operational and administrative efficiency of the small coast guard has been enhanced by a recent change of commandants and will doubtless be further improved by the US naval mission which is expected shortly. The army is not big nor mobile enough, however, to control widespread disorders such as could occur at election time, or to repel the landing on the outlying coasts of even a few hundred Caribbean Legionnaires who might seek to use Haiti as a base of operations against Trujillo.

Subversive

There has been no increase in the influence of Communism in Haiti. The local Communist Party is unimportant. President Estimé has recently relieved two Haitian diplomats of their posts in Europe because of their known Communist sympathies.

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International

Friction with the Dominican Republic continues to be Haiti's major international problem. The Dominican failure to appoint an ambassador since the recall of Brea Messina last spring and the continued residence in Ciudad Trujillo of Colonel Roland (B/LA Wkly, 23 Feb 49) are sources of irritation. The government, despite its desire to see Trujillo overthrown, will probably avoid implication in anti-Trujillo plotting because it fears the Dominican Republic's overwhelming military superiority. The Haitian Foreign Minister has requested US cooperation in averting Trujillo's retaliatory measures should Haitian neutrality be violated.

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The Current Situation in Argentina

(Summary — The stability of the Argentine Government has improved as the result of the assumption by Perón of personal leadership and initiative in the economic field and the adoption of measures that have pleased the army. Basic economic problems persist, although the Argentine program for economic readjustment does emphasize several features which are practical and desirable from the US point of view. There has been little change in the subversive picture. The armed forces are militarily in good shape, and the possibility of military action against the government has recently become less. Anti-Argentine feeling has increased in neighboring countries; the shift in foreign ministers does not mean a change in international trade policy.

— During the last four months the total situation with respect to US security interests has improved. Although Hemisphere solidarity has been impaired by neighboring countries' allegations of Argentine support of the MNR revolt in Bolivia, prospects for the stability of the government have improved, the likelihood of increased authoritarian measures on Perón's part to maintain himself in power has diminished, and the replacement of Foreign Minister Bramuglia has not so far been followed by relaxation of efforts to improve international trade relations, particularly with the US.)

Political

Perón's reassertion of positive leadership during recent weeks has perceptibly strengthened his administration, and various measures taken, though they have not removed the underlying economic causes of threats to stability, have ameliorated specific situations and have done much to lessen the army disaffection that four months ago (B/LA Wkly, 31 May 49) was one of the dangers to the Perón regime.

Perón's strong demands at a July Peronista convention for party loyalty and regularity — demands that were accompanied by threats of disciplinary action — demonstrated his renewed determination to remain in control. His intervention in the cabinet conflict between nationalist protégés of Señora Perón and the more internationally minded adherents of Foreign Minister Bramuglia (see International, below) was favorable for the expansion of foreign trade and pleased the army, as did his

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public veto on grounds of economy of a 70 million peso appropriation for Señora Perón's social welfare foundation. The administration's intensive campaign, conducted through the government-dominated labor unions, headed off some demands for inflationary wage increases which were otherwise to have been expected following removal of cost-of-living subsidies on meat and other items. Strikes have been declared illegal with increasing frequency recently.

Because of these improvements in the situation, B/LA now estimates that there is no immediate likelihood either that Peron will be removed or retire or that he will be forced to resort to conspicuously authoritarian measures to maintain his control.

Economic

Some improvement in the economic situation has been made by assurance of fuel supplies from the US and by provisional settlement of the meat packers' difficulties. Also, prospects for grain exports are slightly improved (total grain acreage remains about the same). However, basic economic problems persist. The economy continues to suffer from an anomalous credit situation, inflation, and a low volume of foreign trade. Official use of credit continues to expand the money supply, but private enterprise is hampered by lack of credit facilities. Although the trend of inflation continues upward, shortages of industrial requirements, high wages, and restriction of private credit are beginning to be reflected in unemployment and some decline in business activity in certain sectors of the economy. Numerous bilateral trade agreements have been signed during the last three months, but since all are subject to agreement on price, expansion of trade will depend on Argentine adjustment of its inflated price level and willingness to accept imports in greater volume, both of which are technically and politically difficult of achievement.

The current Argentine policy of expanding trade with the US and the exchange of views within the Joint US-Argentine Committee, established for that purpose, may lead to implementation of salutary domestic economic reforms in Argentina. Recently the government has taken some steps in this direction, such as the removal of certain subsidies, provision for loans and higher prices to farmers and stock producers, attempts to curtail wage increases, modification of export prices and exchange rates on certain items, and curtailment of the powers of the State Trading Agency (IAPI). As yet, however, these measures have been neither extensively nor vigorously implemented. With world prices in some cases below the government support prices, attainment of a competitive position in world trade

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will be difficult and will require further modification of exchange rates. Despite current official denials of possible devaluation of the Argentine peso, after a brief period the government may be expected to modify exchange rates at least for certain exports. Since other countries have taken the lead, selective devaluation is now more politically feasible. Also, the recent removal of gold backing for the currency may be a preparatory step.

Subversive

The government's anti-Communist measures continued to be carried out during the summer. Federal police refused permits or cancelled issued permits for Communist-inspired gatherings allegedly staged in support of world peace in several provinces. Communists found it increasingly difficult, and often impossible, to obtain permits to leave and re-enter the country. General amnesty to all aliens illegally in Argentina was authorized by the government and provisions were made for these individuals to regularize their status. The decree may be a police measure designed to smoke out Communists. The effect of this decree upon "war criminals", a number of whom are allegedly in the country illegally, will depend on the personal influence of the individuals with Argentine authorities. While Germans and other fascist technicians continued to enter Argentina, and, in most instances, to be employed in the military ministries and military factories, there appear to have been no concrete indications of organized subversion among the now-substantial number of these individuals.

Military

Brigadier General Franklin Lucero, Subsecretary of the Army and an admirer of the US, is expected to become Minister of the Army, a position now held by Defense Minister Sosa Molina in an acting capacity. The efficiency, quality of manpower and morale continue exceptionally high by Latin American standards (B/LA Wkly, 31 May 49). Under the 1950 budget estimate, the appropriation for national defense is increased 25 percent to 17 percent of the total. The threat of direct military pressures or action against the regime has been considerably reduced during recent months. Army loyalty has been strengthened recently as Peron has assumed leadership in the economic field and has emphasized methods calculated to appeal to the military.

International

US interest in Hemisphere solidarity was adversely affected by Chilean, Uruguayan, and Bolivian charges that Argentina supported the MNR revolt in Bolivia although as yet there has been no convincing evidence of

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Argentine participation. The new Argentine Foreign Minister, Jesús Paz, emphasized that his country's policy was one of non-interference in the affairs of other countries and that steps were being taken to guarantee the observance of this policy. Relations between Argentina and Chile were temporarily strained as a result of Argentine press and radio attacks on President González Videla and the Chilean Government's handling of the recent strikes there. The attacks were instigated by Señora Perón presumably for vengeance on the Chilean delegation to the Buenos Aires Conference of the Inter-American Commission of Women that opposed her campaign for chairmanship.

Perón's removal of Foreign Minister Bramuglia in favor of Señor Paz cut the ground from under the serious cabinet controversy between Bramuglia's internationally minded adherents and the obstructionist protégés of Señora Perón (B/LA Wkly, 31 May 49). But this shift evidently did not signal any sharp change in international trade policy, as there has subsequently been impressive evidence that Bramuglia's program for improved trade relations, particularly with the US, will be vigorously pursued. Pursuant to efforts to improve trade relations with the US, Argentina added two important officials of the Ministry of Economy and the Central Bank to its staff participating in the Joint Argentine-US Committee. Regular payment of commercial debts in the US continues, and recently the percentage of dollar earnings allocated to this repayment was raised from 20 to 30 percent. Since signing a trade agreement with the UK in late June, Argentina has signed trade agreements with Norway, France, Peru, and Czechoslovakia, and has completed preliminary arrangements for agreements with Japan and Paraguay.

Argentine representation on the UN Security Council having expired, that country is officially a candidate to replace Venezuela on ECOSOC. If Argentine fails of election to ECOSOC, it desires to replace Mexico on the Trusteeship Council.

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